

Message Text

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S E C R E T STATE 127921 TOSEC 020236

EXDIS

FOLLOWING REPEAT JIDDA 3940 ACTION SECSTATE

DTD 02 JUN

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S E C R E T JIDDA 3940

EXDIS

E.O . 11652: GDS

TAGS: PINT, SA

SUBJECT: CORRUPTION IN SAUDI ARABIA: NORTHROP

REF: STATE 126781

SUMMARY: BARGER ARRIVED LATE JUNE 1 AND WAS UNABLE TO MEET WITH PRINCE SULTAN BEFORE HE WENT TO CAIRO FOR FIVE DAYS. THE AMBASSADOR RECOMMENDED (AND BARGER AGREED) THAT HE GO TO CAIRO TO SEE SULTAN. HE WILL ARRIVE THERE JUNE 3. IT IS IMPORTANT THAT BARGER SEE SULTAN BEFORE ANY OTHER SAUDI. BARGER HOPES TO GET A LETTER FROM SULTAN SAYING, IN EFFECT, THAT HE DOESN'T LIKE WHAT WAS DONE BUT THAT HE WILL ACCEPT IT THOUGH IT SHOULD NOT BE DONE AGAIN. HE WOULD ALSO

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LIKE TO GET A LETTER SAYING THAT THE SAG WILL NOT RPT

NOT TOLERATE PAYMENTS TO AGENTS IN OR OUT OF SAUDI ARABIA, THUS PERMITTING NORTHROP TO BREAK ITS CONTACT WITH KHOSHOGGI. THERE ARE AT LEAST TWO OTHER MAJOR U.S. ARMS SUPPLIERS TO SAUDI ARABIA, LOCKHEED AND RAYTHEON, WHO HAVE KHOSHOGGI AS AN AGENT. SINCE THEIR SALES ARE NON-FMS, THE "COMMISSION" TO KHOSHOGGI IS FIFTEEN PERCENT. IF THIS COMES OUT IT COULD MEAN A FIRST-RATE SCANDAL. IT MIGHT BE POSSIBLE TO PUT ALL THE BLAME ON KHOSHOGGI, IN WHICH CASE THE EFFECT MIGHT BE LIMITED AND POSSIBLY EVEN BENEFICIAL OVER THE LONGER TERM. IF MEMBERS OF THE ROYAL FAMILY ARE IMPLICATED, WE WILL BE IN FOR A PAINFUL TIME. WE UNDERSTAND THE CHURCH HEARINGS WILL LAST A WEEK. WE WOULD APPRECIATE THE DEPARTMENT'S ESTIMATE OF WHAT IS LIKELY TO COME OUT AND WHAT THE EFFECT IS LIKELY TO BE ON CONGRESSIONAL ATTITUDES TOWARDS ARMS SALES TO THE GULF. (SEE PARA 7 FOR ACTION REQUESTED.) END SUMMARY

1. BARGER ARRIVED LATE LAST NIGHT. PRINCE SULTAN LEFT EARLY THIS MORNING FOR CAIRO BEFORE BARGER COULD SEE HIM. SULTAN WILL RETURN JUNE 7. AS NEWS OF THE NORTHROP DEEDS WILL BREAK IN CHURCH COMMITTEE AROUND JUNE 8-9, I URGED BARGER TO GO TO CAIRO AND TRY TO SEE HIM THERE. HE IS LEAVING TOMORROW MORNING (0500 GMT JUNE 3). I HAVE ALSO ASKED FOREIGN MINISTER TO TRY TO ARRANGE MEETING, BUT TOLD HIM ONLY THAT THE MATTER WAS SENSITIVE AND URGENT. THE MINISTER SAID HE WOULD PASS MESSAGE TO SULTAN THROUGH SAUDI AMBASSADOR TO CAIRO FUAD NAZER. HE SUGGESTED BARGER MAKE ARRANGEMENTS THROUGH AMBASSADOR NAZER. AFTER SEEING SULTAN, BARGER WILL RETURN TO JIDDA.

2. AS SULTAN'S MINISTRY IS MOST INTIMATELY INVOLVED IN THE PAYMENTS, IT IS IMPORTANT THAT HE BE THE FIRST TO GET THE NEWS OF THE IMPENDING REVELATION. IF SULTAN WISHES HE CAN THEN SUGGEST THAT BARGER SEE OTHERS. WHEN SULTAN RETURNS I WILL DISCUSS THE
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MATTER WITH HIM AND (PROBABLY) PRINCE FAHD. WE WILL SEE HOW WE CAN CONTAIN THE DAMAGE DONE IN THE PAST AND STOP FUTURE ABUSES.

3. BARGER WOULD LIKE TO HAVE LETTER FROM THE SAG TO NORTHROP SAYING, IN SHORT, "WE DON'T LIKE WHAT YOU DID. WE WILL ACCEPT IT BUT DON'T DO IT AGAIN." BARGER ALSO WANTS THE LETTER TO INCLUDE A STATEMENT

THAT THE SAUDI GOVERNMENT WILL NOT RPT NOT TOLERATE ANY PAYMENTS TO AGENTS IN OR OUT OF THE COUNTRY; THIS SHOULD ENABLE NORTHROP TO BREAK ITS CONTRACT WITH KHOSHOGGI. BARGER SAID THAT IF THE DOD DECLARED KHOSHOGGI AS A NON-AGENT HIS FEES WOULD BE DISALLOWED AND THE COMPANY WOULD EITHER HAVE TO RECOVER THE MONEY FROM KHOSHOGGI (PROBABLY IMPOSSIBLE) OR WITHDRAW FROM SAUDI ARABIA.

4. COMMENT: THIS SEEMS TO BE THE FIRST OF A SERIES OF AT LEAST THREE SUCH CASES. LOCKHEED AND RAYTHEON PAY 15 PERCENT AGENT'S FEES TO KHOSHOGGI ON THEIR NON-FMS SALES AND THIS IS ALSO LIKELY TO BE REVEALED. \$45 MILLION ON A \$300 MILLION CONTRACT WOULD BE A FIRST RATE SCANDAL. ALL EXCUSES WE WOULD GIVE, E.G. THE BRITISH, FRENCH AND JAPANESE ARE MUCH WORSE, WOULD BE LAME. IT IS HIGHLY UNLIKELY THAT THE BRITISH, FRENCH OR JAPANESE GOVERNMENTS WOULD DO ANYTHING TO EMBARRASS SAG OR TO EXPOSE THE MALFEASANCE OF THEIR COMPANIES. WE, THE U.S., MUST RECOGNIZE THAT WE WILL TAKE THE BRUNT OF WHATEVER REACTION THERE IS.

5. IF THE BLAME CAN ALL BE PLACED ON KHOSHOGGI (AND THIS MIGHT BE POSSIBLE AS ALL PAYMENTS SEEM TO HAVE BEEN THROUGH HIM AND BASED ON HIS WORD THAT THE MONEY WAS NEEDED BY OTHERS), THEN PROBABLY THE COMPANIES WILL BE ABLE TO SURVIVE THE ENSUING SCANDAL. IN THE LONG RUN THEY COULD EVEN BENEFIT HERE (AND POSSIBLY ELSEWHERE). THIS RATHER HARSH PURGATIVE COULD ALSO HELP CLEANSE SAUDI ARABIA. WITHOUT A DOUBT IT WOULD BE GREATLY
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APPLAUDED BY LARGE NUMBERS OF THE YOUNGER EDUCATED MEMBERS OF NON-ROYAL FAMILIES WHO ARE NOT REGULAR RECIPIENTS OF AGENTS' FEES.

6. THERE IS NO DOUBT, HOWEVER, THAT WE WILL GO THROUGH A PAINFUL PERIOD AND IF MEMBERS OF THE ROYAL FAMILY ARE DIRECTLY IMPLICATED IN ANY OF THE SALES PAYMENTS, ONE OF THEM - PROBABLY SULTAN - MIGHT HAVE TO BE SACRIFICED ALONG WITH KHOSHOGGI. THIS WOULD BE UNFORTUNATE. HE IS ONE OF THE HARDER-WORKING AND MORE EFFECTIVE MEMBERS OF THE FAMILY AND HE MAY EVEN BE INNOCENT. KHOSHOGGI TOLD NORTHROP THAT HE MADE NO PAYMENTS TO SULTAN; THAT SULTAN HAD MORE MONEY THAN HE (KHOSHOGGI) COULD EVER HAVE. BRIBING SULTAN, THEREFORE, WOULD MAKE NO SENSE. WE BELIEVE THIS IS PROB-

ABLY TRUE - AT LEAST IN THE SAUDI/ARAB/MIDDLE EAST CONTEXT. KHOSHOGGI HAS PROVIDED CARS, HOUSES, GIRLS AND OTHER SERVICES FOR VARIOUS PRINCES; HE HAD ALSO PROVIDED, ON SHORT ORDER, TRUCKS TO VARIOUS MINISTERS FOR LEGITIMATE DEVELOPMENT PROJECTS AND HE MAY BE RIGHT WHEN HE INSISTS THAT ONLY A SMALL PORTION OF HIS AGENT'S FEES REMAINS FOR HIS OWN USE. BE THAT AS IT MAY, KHOSHOGGI'S ROLE IS NOW UNCOVERED AND THE SAG WILL PROBABLY TRY TO PUT ON HIM ALL THE BLAME FOR ALL THE ABUSES. IF KHOSHOGGI IS DISCREDITED AND STRIPPED OF WEALTH AND INFLUENCE, IT WILL BE NO GREAT LOSS TO US OR TO SAUDI ARABIA.

7. ACTION REQUESTED: WE HEAR THAT SENATOR CHURCH IS PLANNING A WEEK-LONG SAUDI SPECTACULAR. IS THIS TRUE? WILL THE LOCKHEED AND RAYTHEON AGENTS' FEES BE DISCLOSED? DOES THE DEPARTMENT THINK THE CURRENT NORTHROP AFFAIR WILL ENHANCE THE CHANCES OF THE PASSAGE OF THE KENNEDY AMENDMENT OR ANY OTHER CONGRESSIONAL RESTRICTIONS ON ARMS SALES TO THE PERSIAN GULF COUNTRIES? THIS WOULD BE MOST UNFORTUNATE, NOT ONLY FOR OUR RELATIONS HERE BUT IN IRAN AND THE OTHER GULF STATES, AND WOULD ONLY BE A TEMPORARY SECRET

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INTERRUPTION IN THEIR ARMS PURCHASES AS THEY SHIFTED TO OTHER SUPPLIERS.

8. I WOULD, OF COURSE, RECOMMEND FULL CO-OPERATION WITH THE CHURCH COMMITTEE, ASKING ONLY THAT THE SPECIFIC NAMES OF THE ALLEGED RECIPIENTS OF KHOSHOGGI PAYOFFS BE OMITTED. ALL OF THIS "EVIDENCE" IS HEARSAY; ALL SEEMS TO BE BASED ONLY ON KHOSHOGGI'S STATEMENTS OF WHERE THE MONEY WAS GOING. AKINS UNQTE INGERSOLL

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